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CURRENT INTELLIGENCE WEEKLY SUMMARY

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

PART I**OF IMMEDIATE INTEREST****TAIWAN STRAIT SITUATION**

Peiping's official Peoples' Daily carried an authoritative article on 18 September which reacted strongly against President Eisenhower's call for a cease-fire in the Taiwan Strait, declaring that American armed intimidation is the source of tension in the area. The Chinese Communists clearly believe that a cease-fire at this time would negate any chance of achieving the withdrawal of Nationalist forces from the offshore islands through negotiations. They also appear anxious to avoid the onus for the present Taiwan situation by attempting to convince international opinion of American responsibility.

After a relative lull in Chinese Communist military operations, the Communists have increased their efforts to prevent supplies from reaching the Kinmens. On 18 September, their coastal artillery fired on a Nationalist convoy attempting to reach Tungting Island, 16 miles south of Kinmen, and then sent motor torpedo boats against the convoy. A Communist jet fighter was reported attacking another convoy near Kinmen on the same day. The Nationalists attacked the motor torpedo boats off Tungting with some success, and Nationalist fighters were clashing at several points south of Kinmen with Communist fighters, showing more aggressiveness than they have for some weeks.

On 9 and 10 September, Nationalist pilots reported seeing 13 motor torpedo boats in the Min River estuary immediately west of the Matsus. This

was the first indication that motor torpedo boats were based so close to the Matsus.

The Communist interdiction of the Kinmens continues to be effective. American officials in the area believe it will be difficult to reach the 300-ton minimum daily requirement they estimate as necessary for the Kinmens. The Nationalists have estimated that 700 tons daily are needed to maintain the garrison's morale and well-being. Successful deliveries of supplies to the Kinmens from 23 August through 16 September by all means totaled only about 800 tons. While the more recent deliveries have been more successful because of improved techniques for unloading under fire, these same techniques substantially reduce the amount that any one convoy can carry and unload on one trip. The Nationalists have made two unmolested deliveries to the Matsus without American escort.

Chiang Kai-shek, Vice President Chen Cheng, and Defense Minister Yu have all declared that "drastic" measures must be taken to break the blockade of Kinmen in a matter of days. Yu told Admiral Smoot that the Nationalist supply efforts will fail and that this will lead to attacks on the Communist artillery positions and airfields by the Nationalist Air Force. The Nationalists apparently believe that if they can get the United States to undertake the landing of supplies, they will gain a minimum benefit of saving the islands and might gain a maximum benefit

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

of generating an opportunity
for a return to the mainland.

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Peiping's Foreign Ministry issued its sixth warning on 18 September against intrusions by American warships engaged in convoy escort into its claimed territorial waters. The aggressive Communist interdiction actions on 18 September suggest that Peiping may hope to provoke US counteraction, which could be exploited in the UN as US aggression.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

The Soviet press and radio have continued to repeat the warning in Khrushchev's 7 September letter to President Eisenhower that "an attack on the Chinese People's Republic... is an attack on the Soviet Union." Khrushchev re-emphasized Soviet support in a speech at Stalingrad on 11 September, stating that "friendship between the Soviet Union and China is strong as never before." The USSR appears to be marking time, awaiting the outcome of Chinese Communist interdiction efforts and the Warsaw talks.

Moscow's propaganda reaction to the resumption of the talks has been generally pessimistic. Commentators have charged that continuing American "provocations" against Communist China indicate that American authorities "reject in advance" any possibility of a peaceful settlement.

UN Developments

Pravda, in a 16 September editorial on the UN General Assembly's opening, gave first importance to UN consideration of Chinese representation and

of American "military provocations." The USSR passed up its first opportunity to raise the issue of Chinese representation at the General Assembly's initial meeting on 16 September. The Soviet delegation has served notice, however, that it will press the issue when the Indian proposal calling for substantive discussion of the issue comes up for inscription. At that time, Sweden, backed by Norway and Denmark, also intends to support admission of Communist China more vigorously than in the past.

If the 21-member Steering Committee on 18 September rejects the Indian item calling for substantive discussion of the issue by recommending renewal of the moratorium, Peiping's proponents will raise the question on the assembly floor when the agenda comes up for final approval.

An assembly discussion of the strait crisis would raise the possibility of Peiping's participation in the debate as a "party to the dispute."

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MIDDLE EAST DEVELOPMENTS**Lebanon**

The apparent determination of outgoing President Chamoun to oppose the appointment of a rebel-dominated cabinet by President-elect Shihab following his inauguration on 24 September will invite more vigorous opposition attacks on Chamoun and his followers and further increase the prospects for renewed violence in Lebanon.

Chamoun reportedly told Shihab he would not oppose appointment of Tripoli rebel leader Rashid Karame as premier, but that certain other opposition candidates for cabinet posts could not be "sold" to parliament.

Chamoun apparently remains confident of retaining control of the parliamentary majority which supported him as president, but an attempt by that group to

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

25X1

block rebel candidates for cabinet posts would invite rebel violence. In indicating agreement of Karame as premier, now a relatively impotent office, Chamoun probably assumes he can influence parliament against voting approval of a cabinet which he disapproves. If the legislature is uncooperative, Shihab, under opposition prodding, may attempt to suspend the legislature and rule by decree.

Jordan

The UAR-operated Jordanian and clandestine radio, located in Syria, has stepped up exhortations for the violent overthrow of the pro-Western government in Amman.

Increased friction has developed between King Husayn and Premier Rifai amid new reports that the King may be induced to appoint a less authoritarian premier. Part of the trouble reflects efforts by Rifai's rivals, particularly Court Minister Majalli, to undermine him. Although agitation has been mounting for relaxation of martial law and other restrictions, the King would risk serious instability in dismissing Rifai unless he decided at the same time to seek some accommodation with Nasir.

Iraq

The first overt move in the power struggle in Baghdad was the removal on 12 September of pro-Nasir Vice Premier Arif from his post as deputy commander of the Iraqi armed forces, although he remains vice premier and minister of the interior. Now that Arif has been removed from the armed forces chain of command, Premier Qasim, who is also defense minister, appears

The arrest of several high-ranking army officers who have supported Chamoun may reflect an effort by the powerful pro-UAR clique in the Lebanese General Staff to weaken pro-Chamoun influence in the army and thereby facilitate its efforts to dominate Shihab's government. The arrests could also provoke violence by pro-Chamoun and Christian extremists.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

to be the dominant personality in controlling the military.

Cairo has been striving to increase its influence in the Iraqi armed forces in order to strengthen the position of the faction led by Arif which favors Iraqi membership in the UAR. The faction advocating a more independent association with Cairo is led by Qasim. The Communists, who anticipate that they would be outlawed if Iraq joins the UAR, support Qasim.

Qasim has assumed a more public role and appealed for "national unity," promising a plebiscite to determine Iraq's system of government. In a warning to "foreign conspirators who want to restore the old regime in another form," Qasim presumably was referring to supporters of union with the UAR. Cairo can be expected to increase its efforts to support Iraqi advocates of union with the UAR, and might promote a counter coup against the Qasim bloc.

In a further effort to increase support for the new regime, the government has resorted to releasing political prisoners and Communists. It has also loosened restrictions on the nationalistic Kurds--about 800,000 strong out of a total Iraqi population of 6,000,000. The return of militant Kurdish leader Mullah Mustafa Barzani from exile in the Soviet bloc, now scheduled for about 22 September, will be the occasion for large Kurdish demonstrations, which could get out of hand. Pan-Kurdish aspirations may be difficult for Qasim to control, and a meeting of Kurdish leaders from Iraq, Turkey, Iran, and Syria is reportedly planned in north-

ern Iraq following Barzani's return.

UAR

The suppression of the Baath-Socialist party newspaper in Damascus appears to be a move by Nasir against UAR Vice President Hawrani, who has used the paper to advance his political views. Despite Nasir's efforts to suppress political parties in Syria, the strongly Arab nationalist Baath party has continued its political activities. Nasir, who is now confronted with political difficulties both in Syria and Iraq, in addition to economic and personnel problems in his own Cairo government, faces a critical test of his leadership.

Israel-Sudan

Prime Minister Ben-Gurion has admitted to a gathering of his Mapai party that Israel is striving to establish a new balance of power in the Middle East by promoting cooperation among the area's non-Arab states.

A Soviet trade and aid mission is expected to visit the Sudan in the near future to discuss a previous offer of aid. The Sudanese reaction toward a Soviet offer now may be influenced by the resentment of Foreign Minister Mahgoub over his defeat by Charles Malik in the election for presidency of the UN General Assembly.

Hammaraskjold's Mission

UN Secretary General Hammaraskjold, whose report on his Middle East trip may be released to the General Assembly soon after 24 September, plans to go ahead with the UN arrangements for Lebanon and Jordan under

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

the terms of agreements worked out with those countries during his recent mission. Cairo, however, has given no adequate assurance that it will not interfere in other area states.

Hammarskjold plans to establish a "watch-dog" group of about 60 persons in Jordan with a high-ranking representative of the UN Secretariat as a "roving ambassador with diplomatic access" to Beirut, Damascus, Cairo, and perhaps Baghdad.

This representative would be empowered to take up on a diplomatic level any charges that might be made to the "watch-dog" team in Jordan about internal interference in that country. Such measures, however, are unlikely to be effective in relieving subversive pressure in Jordan.

Hammarskjold also plans to expand the UN Observer Group in Lebanon to 1,000 men.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958****FRENCH NUCLEAR WEAPONS PROGRAM**

25X1

France now may have the capability of exploding a nuclear device of nominal yield at any time, and intensive preparations for a test have been reported recently. Various political and prestige considerations impel the De Gaulle government to attempt such a test before the 31 October deadline announced by the United States and Britain for the suspension of nuclear weapons testing.

A French nuclear test had previously not been expected much before 1959, although France has enough plutonium to explode a nominal-yield device prior to 31 October.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

25X1

French officials have complained that France is "the only country in the world" which, because its nuclear weapons program is on the verge of testing, cannot afford to renounce testing along with the US, the UK, and the USSR. Foreign Minister Couve de Murville has reiterated Paris' interest in discussions on disarmament as a whole rather than on a nuclear test ban.

French officials also probably consider that an early test would favorably affect the prospects for French-German cooperation. Although West German spokesmen have denied that nuclear matters were discussed by De Gaulle and Adenauer in their 14 September meeting, it is nevertheless evident that the enormous cost of a national nuclear weapons program is a strong incentive

for closer cooperation.

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On the domestic political scene, an early test would be important for the government's prestige not only in connection with the constitutional referendum scheduled for 28 September, but also for the November parliamentary elections. In addition, a test would strengthen De Gaulle's hand vis-a-vis army elements in Algeria which are still not unconditionally obedient to him.

(Concurred in by OSI)

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NUCLEAR WEAPONS ISSUE IN SWITZERLAND

One of the sharpest political controversies in postwar Switzerland has developed from the government's announcement last July that it is considering the acquisition of nuclear weapons.

Proponents of nuclear armament which include top government and military leaders, contend that without such weapons it would be impossible to guarantee Swiss neutrality in the event of another war, since Switzerland would probably become a battlefield of powers equipped with nuclear arms. According to official estimates, Switzerland could undertake a nuclear weapons program within the next five to ten years, provided it could obtain access to foreign supplies of fissionable materials without restriction on their use.

The opposition comes in part from pacifist, religious, and intellectual groups which had already been stirred up by the West German campaign against atomic weapons. The Swiss Socialist party is divided over the issue. Some critics have also questioned whether it is technically possible to use atomic weapons defensively in a small country, and whether it is possible to test them without danger. Others doubt the possibility of purchasing atomic weapons abroad under terms that would pose no threat to Swiss neutrality.

On the last point the government's intentions are unclear. The possibility has apparently been raised of purchasing delivery systems abroad with deferred delivery of nuclear weapons.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

25X1

The Swiss debate has attracted considerable attention abroad--particularly in Sweden, West Germany, and the USSR. Izvestia, repeating an earlier bitter attack on Bern by the TASS news agency, warned on 10 September that the "Swiss decision can threaten not only

the traditional Swiss policy of neutrality, but the very existence of Switzerland as an independent and sovereign state."

(Concurred in by OSI) 25X1

INTERNATIONAL ATOMIC ENERGY AGENCY CONFERENCE

The second general conference of the 68-member International Atomic Energy Agency (IAEA) opens on 22 September in Vienna in a general atmosphere of concern about the agency's future. Although the IAEA was designed to have primary responsibility for the development of all peaceful aspects of atomic energy, the entrance into this field by many of the UN specialized agencies, as well as other international bodies, has caused serious overlapping of functions and may reduce the scope of the agency.

At the Vienna conference, the Soviet bloc, India, and UAR delegations are expected to register intensive opposition to the development of an adequate safeguards system designed to prevent

diversion of agency assistance to military use. The part of the US-EURATOM agreement under which EURATOM will enforce its own safeguards has tended to confirm the apprehension of India and many underdeveloped countries

MEMBERS OF INTERNATIONAL ATOMIC ENERGY AGENCY

Sterling Cole (US), Director General

Afghanistan	Guatemala	Philippines
Albania		Poland
Argentina	Haiti	Portugal
Australia	Honduras	
Austria	Hungary	Rumania
Belgium	Iceland	South Korea
Brazil	India	South Vietnam
Bulgaria	Indonesia	Spain
Burma	Israel	Sudan
Byelorussia	Italy	Sweden
		Switzerland
Cambodia	Japan	
Canada		Thailand
Ceylon	Luxembourg	Tunisia
Cuba		Turkey
Czechoslovakia	Mexico	
	Monaco	Ukraine
Denmark	Morocco	Union of South Africa
Dominican Republic		United Arab Republic
	Nationalist China	United Kingdom
Ecuador	Netherlands	United States
El Salvador	New Zealand	USSR
Ethiopia	Nicaragua	
	Norway	Vatican
Finland		Venezuela
France	Pakistan	
	Paraguay	West Germany
Greece	Peru	Yugoslavia

18 SEPTEMBER 1958

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958****INTERNATIONAL ATOMIC ENERGY AGENCY
BOARD OF GOVERNORS**

DESIGNATED BY OUTGOING BOARD FOR ONE YEAR	SERVING UNTIL GENERAL CONFERENCE	
	IN 1958	IN 1959
Big Five	United States----- United Kingdom----- USSR----- France----- Canada-----	United States United Kingdom USSR France Canada
Most Advanced Country in Atomic Field in:		
Latin America-----	Brazil-----	Brazil
Africa & Middle East-----	South Africa-----	South Africa
South Asia-----	India-----	India
Southeast Asia & Pacific-----	Australia-----	Australia
Far East-----	Japan-----	Japan
Basic Materials Supplier in:		
Free World-----	Portugal-----	Belgium
Soviet Bloc-----	Czechoslovakia-----	Poland
Technical Assistance Supplier	Sweden-----	Denmark
ELECTED BY GENERAL CONFERENCE FOR TWO YEARS*		
Latin America-----	Argentina-----	Argentina
Western Europe-----	Italy-----	Netherlands a candidate
Eastern Europe-----	Rumania-----	Rumania
Africa and Middle East-----	UAR-----	UAR seeks re- election
South Asia-----	Pakistan-----	Pakistan
Southeast Asia & Pacific-----	Indonesia-----	Indonesia seeks re- election
Far East-----	South Korea-----	South Korea
Seat at Large-----	Turkey-----	Turkey
Seat at Large-----	Peru-----	Candidates un- determined
Seat at Large-----	Guatemala-----	Candidates un- determined
* Five elected each year.		

80917-4

18 SEPTEMBER 1958

that agency safeguard obligations would apply only to the "have-nots." It is feared that a series of agreements among countries advanced in nuclear

development, such as the US and the six members of EURATOM, would leave the IAEA with only the relatively minor task of assisting underdeveloped countries, whose potential in the atomic field is far distant.

No candidate has yet emerged with sufficient backing to win the presidency of the conference. An extreme anti-American attitude has apparently been generated by the prolonged and vigorous US campaign against the candidacy of Dr. Homi Bhabha of India, who chaired the first conference on peaceful uses. Elections for the five vacancies on the 23-man Board of Governors are also in doubt. Unless the Latin American members are able to put forth qualified candidates soon, one of the two seats at large which the West desires to keep may go to Yugoslavia, which is aggressively campaigning for it.

(Concurred in by OSI)

MEETING OF 21 AMERICAN FOREIGN MINISTERS

Latin Americans generally believe the meeting of 20 Latin American foreign ministers with Secretary Dulles scheduled in Washington for 23 and 24 September may be a first step toward increasing and systematizing inter-American cooperation for economic development.

The meeting grows out of Brazilian President Kubitschek's proposal last June for "Operation Pan-America," a plan "to reassess hemispheric policy in order to place Latin America in a more effective role in the defense of the West," particularly by more rapid economic

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

development. Kubitschek sought an informal committee of representatives of the 21 republics to meet in Washington to define and elaborate Operation Pan-America before the more cumbersome machinery of the Organization of American States (OAS) was called into play.

Economic development, the key political issue in almost all Latin American countries, was discussed at high-level meetings in Rio de Janeiro in 1954, Panama in 1956, and Buenos Aires in 1957, but these formal OAS meetings have been criticized for lacking substance. Brazil's insistence on meetings outside the OAS to organize the present Latin American drive for inter-American economic cooperation apparently arises out of the general dissatisfaction with these meetings.

Brazil's diplomatic initiative, strengthened by a

Colombian proposal for periodic meetings of foreign ministers, had the unusual asset of early and consistent support from Argentina, traditionally Brazil's rival for leadership in Latin America.

Unexpectedly sharp opposition, however, came from Mexico, always one of the most effective countries in inter-American negotiations. The ambitious Mexican foreign minister apparently had objected partly because the idea had been set forth by a government other than his own and partly because he feared that emphasis on a new anti-Communist resolution might supplant the interest in economics. A recent visit to Mexico by one of Brazil's most skilled diplomats may, however, increase the chances that Mexico's strong interest in intergovernmental action to combat underdevelopment will be reflected in the present search for a formula for economic development.

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COMMUNIST ISSUE WEAKENS GUATEMALAN GOVERNMENT

The failure of Guatemalan President Ydigoras to take decisive action against Communists and leftists during the six months he has been in office has disillusioned many former supporters and provided his rightist opponents with their most effective issue.

The core of Ydigoras' support in the January election came from conservative and reactionary business and land-owner groups who expected him quickly to eradicate leftist influence. Although members of these groups now hold important posts, their influence is reduced by Ydigoras' insistence

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

on making all important--and many minor--decisions personally. The President has generally respected civil liberties and, much to the disgust of his labor minister and other associates, has gone out of his way to curry favor with organized labor. He has repeatedly declared his firm anti-Communist stand, but his anti-Communist actions have had limited effect because of inadequate antisubversive laws.

The Communists' Guatemalan Labor party (PGT), a small well-disciplined clandestine party of some 400 hard-core members, is systematically strengthening its underground organization with the help of returning exiles. It is active in some labor and student groups, and an increasing number of Communists and sympathizers are infiltrating Guatemala's news media. Efforts to infiltrate

the important Revolutionary party (PR) received a setback in June when Communist candidates for party leadership were defeated. Since then, some Communists have been expelled from the party, although an unknown number remain.

Ydigoras has recently appeared influenced by the constant pressure to suppress leftists and Communists. On 4 September he fired Foreign Minister Garcia Bauer, a moderate leftist long the target of the President's conservative associates. On 12 September he harshly attacked the PR, publicly linking it to the Communists. Basically, however, Ydigoras appears most concerned with plotting by rightists and has at times considered declaring a state of siege to facilitate their deportation.

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INDONESIA

Although fighting continues in Sumatra and North Celebes, both the dissidents and the central government apparently are giving increasingly serious consideration to arranging a cease-fire.

ment has been made by the dissidents, apparently in early September, in the form of a letter from Colonel Djambek, a Sumatran rebel leader, to four members of Indonesia's Parliament. The letter appealed for parliamentary mediation to stop hostilities and demanded the resumption of constitutional government in Djakarta.

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At least one direct approach to the Djakarta govern-

Despite the inclination to negotiate, however, contacts

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

between dissident and government representatives are likely to continue some time before a cease-fire can be arranged.

The Indonesian Government is reported to have reached an agreement "in principle" with the Soviet Union for the supply of 200,000 tons of Chinese rice

to Indonesia some time before the end of the year. The purchase allegedly will be made under a long-term credit arrangement separate from the \$100,000,-000 Soviet loan. Indonesia has an annual rice shortage of 500,-000 to 700,000 tons.

25X1

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

25X1

SPECIAL SESSION OF JAPANESE DIET

Prime Minister Kishi will attempt to strengthen his government by passing a legislative program of social and administrative reforms in the special session of the Japanese Diet which opens on 29 September. He plans to weaken leftist influence in education and labor and is counting heavily on the results of Foreign Minister Fujiyama's talks in Washington to counter Socialist criticism of his alleged "subservience" to the United States.

Kishi probably will be able to implement conservative party election pledges and undercut the Socialists by proposing minimum wage legislation, a revision of the health insurance law, a pension system, and reform of the government's administrative structure. In order to permit closer military cooperation with the United States, he plans to introduce a controversial bill to ensure the security of government informa-

tion and increase the authority of the police to deal with Communist penetration and subversion.

The Socialists will attempt to exploit the Soviet Union's warning to Japan against the use of United States bases in the country to support operations in the Taiwan Strait and to capitalize on the recent American shipment of arms in Japan to Indonesia to show how Japan could be involuntarily committed to hostilities. Kishi will probably counter this attack by exploiting Washington's favorable reception of Fujiyama's proposals, which included revision of the US-Japan security treaty and closer consultation concerning American forces based in Japan.

The Socialists will also try to capitalize on the government's failure to solve the trade impasse with Communist China. The Socialists, some conservatives,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

and trade and business interests, again restive, are exerting pressure on the government to abandon its "wait-and-see" attitude and to make political concessions to Peiping. Kishi, who professes to

occupy an increasingly lonely position in this "firm" China policy, may be forced to enter the ambassadorial talks with Communist China which his government tentatively planned a few months ago.

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PEIPING INSISTS ON SPEED IN ECONOMIC DEVELOPMENT

Two recent top-level meetings in China--an enlarged session of the party politburo in late August and a Supreme State Conference in early September--laid heavy emphasis on economic matters. The politburo meeting underlined the determination of the leadership to continue to press for the greatest possible speed in economic development. It approved new and higher "leap forward" targets for this year's output of food grains and cotton, and insisted that agriculture and industry forge ahead in 1959 at the rapid 1958 pace or even faster.

The Supreme State Conference heard reports on agriculture, on the 1958 and 1959 economic plans, on the Second Five-Year Plan (1958-62), and on related financial arrangements. These reports have not yet been made public, but subsequent commentary in official media indicates that the preoccupation with speed probably dominated the later meeting.

Five days after the closing of the Supreme State Conference, the official People's Daily repeated the politburo's estimate that this year's total output of food crops would reach a staggering 300,000,000 to 350,000,000 tons--possibly even double last year's 185,000,000 tons. Cotton production is to go up to 3,500,000 tons--double last year's crop.

Achievement of these goals, which Peiping had earlier estimated would take years, is probably beyond Peiping's reach. The reported installation this year of 2,000,000 new cotton spindles--more than four fifths the total number installed in the past five years--indicates that Peiping is making the investments necessary to handle the hoped-for doubling in cotton output.

The regime's extravagant hopes for Chinese agriculture are closely related to the spreading movement to merge the recently established collective farms into "people's communes." At least three provinces have herded all their peasants into these communes, and several others expect to reach the same goal by the end of the month. The communes will bring vast changes to rural life in China; only a vestige of private property will remain, messes and other communal services will be set up, and villages will be gradually destroyed in favor of new rental "housing estates." The highly centralized communes will be run along military lines. The People's Daily has already noted a "tendency" for these communes, which now approximate the old township in area and function, to become linked into "federations with county boundaries."

Side by side with the commune movement, the regime has

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

launched an intensive campaign to "educate" the peasants in the glories of socialism and communism. This campaign is similar to one launched last year and is further proof of Peiping's faith in the ability of its campaigns to create the necessary "material conditions" for further economic advances.

In his address to the Supreme State Conference, Mao Tse-tung echoed the politburo's earlier conclusion that the tremendous "victories" in agriculture--still only paper "victories"--make it necessary to shift the center of leadership work from agriculture to industry, now considered the lagging element in the economy. Within industry, Mao asserted, priority should be given to speeding up the devel-

opment of the iron and steel and machine-building industries, which he termed the "basis for realizing industrialization and agricultural mechanization and for strengthening national defense." These industries have apparently not been leaping forward fast enough.

Peiping also acknowledges that production in the small iron and steel plants, on which it is relying heavily, has often been inefficient, irregular, and of substandard quality. To overcome these shortcomings, the leadership has been pushing an intensive campaign to raise production, under a slogan of doubling output of these items this year. 25X1
New and higher "leap forward" targets have been set in a number of other industries. 25X1
(Prepared by ORR) 25X1

PEIPING REGAINS SUPPORT OF CHINESE YOUTHS

Openly concerned in 1957 over the loss of support from Chinese youth, Peiping's leaders are now more optimistic that the young people--the first generation to live under a "socialist" system--have regained some enthusiasm for the regime. One Western observer found Chinese youths convinced that there is nothing the regime cannot achieve. Peiping's "rectification" campaign contributed to the restoration of youthful elan. The momentum engendered by the government's "giant leap forward" has also played a part in this development, as have Soviet sputnik successes and the present upsurge of nationalism over the Taiwan Strait situation.

In the edited text released in June 1957 of Mao Tse-tung's secret speech, the Chi-

nese leader deplored the spread of "unhealthy tendencies" among college students and complained that Marxism is "not so much in fashion with young people." Mao's anxiety arose over student unrest which developed following the Hungarian uprisings and increased during the so-called "liberalization" period in 1957. Antiregime incidents reportedly included bomb-throwing and shouts of "kill the Communists."

For the most part, Peiping chose to counter unrest among students with nonviolent measures such as forcing some to forego summer vacations for special ideological studies. Students now are carefully scrutinized for correct political attitudes, and those found wanting are placed on probation while undergoing ideological

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

correction. At the same time, Peiping has replaced wavering intellectuals in key positions in universities with politically reliable party men.

In dealing with the less vocal but more numerous young workers and farmers, Peiping has adopted positive measures to whip up lagging enthusiasm for "socialism." In addition to intensive ideological education, one favorite technique has been to organize young people into shock brigades and production teams to develop a competitive spirit.

Early this year Peiping purged and reorganized the 24,000,000-member Young Communist League to strengthen its leadership and influence over other youth groups. Youth conferences, convoked to instill enthusiasm during the "leap forward," have emphasized the

three goals of studying "socialism," raising the political consciousness of young people, and mastering new techniques.

The proceedings of the youth meetings indicate Peiping's gratification over the returning enthusiasm of Chinese youth. Party politburo member Lu Ting-i told one group he was proud of the "revolutionary enthusiasm" of Chinese youth. Other speakers have pointed out that young people are more aware of their duties since the "rectification" campaign and are showing a greater love for party and "socialism." A Western journalist who recently left Peiping after a long stay in China found the young people overconfident and arrogant. Under present circumstances, Peiping can probably count on finding its most ardent support among the young people.

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MOSCOW TIGHTENS ENFORCEMENT OF INTERNAL PASSPORT SYSTEM

The Soviet internal passport system, relaxed in the post-Stalin period, is being strictly enforced in Moscow. A recent decree of the Moscow City Soviet accuses the city militia of not exercising sufficient vigilance among persons living in Moscow without registration or without passports and of failing to detect persons who do not take up socially useful work. The decree, which appears designed primarily to alleviate the Moscow housing shortage by removing "parasitical" elements and barring the entry of persons from the provinces, is part of the general campaign to force more Soviet citizens into production work in less congested areas of the country.

The passport law requires all persons over 16 living in urban areas, in the environs of certain specified cities, and in frontier zones, plus those employed on state as distinct from collective farms, and those engaged in construction or transport, to have internal passports. Entries are made giving details of employment and dismissals, particulars of marriage and divorce, and indicating detention in prison or a corrective labor institution. A passport must be registered with the militia if the holder goes to a new place of residence for more than 24 hours.

Persons with no fixed "socially useful" occupation will be among the first to feel the effects of tighter passport

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

control. The MVD has been ordered to "expel from Moscow... persons who avoid socially useful work." Grounds for expulsion are elastic enough to include anyone who misbehaves. Moscow citizens are not to be permitted, "as a general rule, to live for long periods in a place where they are not registered, especially if their behavior is unworthy and they infringe the rules of the Socialist community."

Graduates of higher educational institutes, who usually try to find work in the larger cities and to avoid being directed to less desirable, usually distant regions, may now find their efforts to no avail. The decree requests that the Ministry of Higher Education, when assigning graduates to jobs, send to Moscow only persons who have living accommo-

dations there. The decree also forbids city government officials and economic organizations to bring workers into Moscow.

The decree makes Moscow a closed city to most demobilized servicemen and persons released from corrective labor institutions. The Ministry of Defense is requested to instruct military units not to send to Moscow on demobilization men who did not live in Moscow before call-up, and the MVD is asked to give similar instructions to places of detention regarding release of prisoners.

Those who "maliciously infringe the passport system" are liable to a maximum of six months' corrective labor for minor violations and up to two years' deprivation of freedom for more serious offenses.

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USSR PLANS DRASTIC SHIFT IN FUELS

The Soviet Seven-Year Plan, to be discussed at the 21st party congress in January, will change fundamentally the structure of energy output in the Soviet Union, according to Izvestia on 9 September. The Seven-Year Plan for the relative production of various fuels has not been set forth, but Pravda on 5 September carried a table of projected changes between 1955 and 1970-75 indicating a drastic drop in the importance of coal and a corresponding rise for lower cost crude oil and natural gas. The problem of planning proper future fuel balance may be causing difficulties in drawing up the Seven-Year Plan.

The nature of the fuel balance has a vital bearing on such important Soviet programs as

expansion of the chemical industry, dieselization and electrification of railway transport, and electrification of the countryside.

In speeches last spring both Deputy Premier Anastas Mikoyan and Gosplan Chief I. Kuzmin stated that the USSR had until recently been planning an improper fuel balance which, if not altered, would have cost the economy billions of rubles in the future. Coal was being overly stressed, petroleum and gas suppressed, they said. Their speeches, indicating that Soviet planning had been on the brink of a major blunder, may have been directed against a die-hard "coal faction."

In connection with formulating the fuel balance for the

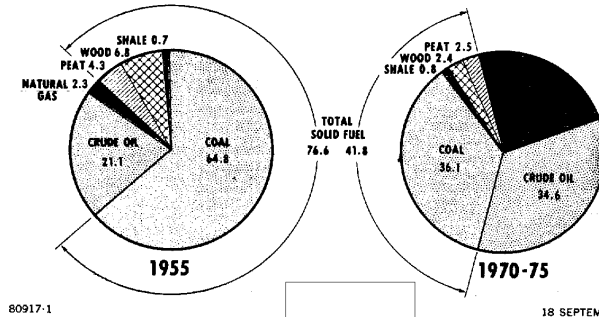
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

Seven-Year Plan, the party on 30 August issued a special decree on the expansion of the gas industry. Perhaps as a result of a general review of the energy question by the party, Pravda on 5 September noted that the fundamental change in the fuel balance, as well as the "crash" construction of thermal electric stations, had been adopted by the central committee. According to this article, preliminary Gosplan figures show that \$20 billion can be saved during the 1959-65 period by shifting the fuel balance--more than enough to pay for the projected expansion of the chemical industry.

Khrushchev put the question in the context of catching up with the West in a recent speech

USSR: PATTERN OF FUEL PRODUCTION
(PERCENT)



80917-1

18 SEPTEMBER 1958

25X1

in Smolensk. He said if the USSR in the future continued to use expensive coal while the principal capitalist countries develop their industry and transport by using gas and oil, then it would be very difficult for the USSR to catch up.

(Prepared by ORR)

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ARRESTS AND TRIALS IN RUMANIA

The crackdown in Rumania, originally a drive to stamp out embezzlement and misappropriation of state funds, appears to have developed into a house cleaning of major proportions. In the last few months it has involved purges of high-level party and government officials, many of them Jewish. The campaign is probably an outgrowth of the bloc's present preoccupation with consolidated control, but is broader than such drives in other satellites and may have ramifications within the top leadership itself.

High officials of factories and enterprises have been

dismissed for offenses ranging from indiscipline, bureaucracy, and embezzlement to nonfulfillment of plans. The press has reported numerous complaints of malfeasance in the economic sector, and many highly publicized trials have been held. The party theoretical journal Lupta de Clasa (Class Struggle) and the central committee daily Scinteia have demanded that the purge be extended to include a ruthless campaign against revisionism and bourgeois ideology, indiscipline, and "disruptive anarchic elements." Fifty of Rumania's top athletes have also been barred from further athletic competition

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

allegedly because of "bourgeois ideology," religious beliefs, liberalism, and the weakening of "patriotic consciousness," as well as corruption, professionalism, and idleness.

The Israeli Embassy was allowed to process 700 exit visas in August for Rumanian Jews seeking to depart for Israel, whereas only 200 visas had been permitted in June and none in July. The fact that the embassy has been able to issue visas for professional people and skilled laborers--a departure from the regime's usual practice of allowing only the aged or infirm to emigrate--seems to indicate that an unusually large number of Jews have been removed from government posts. With the abnormally high percentage of Jews in the party, government bureaucracy, and managerial ranks, such dismissals would be inevitable in the event of a general crackdown.

Several fairly reliable sources of the American Legation have reported that police recently arrested the private secretary and vicar of the patriarch of the Rumanian Orthodox

Church, and that more than 200 leading churchmen are being detained. The patriarch's residence reportedly was ransacked. The legation has learned from the Greek Embassy that the patriarch fears he too may be arrested and that the church-state modus vivendi may be coming to an end.

On 4 September, the legation reported that local security officials, using pressure on foreign colonies as they have in the past to block the flow of information to the West, had confronted Greek, Turkish, Italian, and French nationals living in Rumania with the choice of Rumanian citizenship or expulsion. In response to strong protests by Western missions in Bucharest, the Foreign Ministry denied that any such threats had been made or that Rumanian security police had resorted to brutality in their dealings with foreign nationals. The adverse publicity may well force the regime to modify its campaign, particularly against foreign nationals.

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MOROCCAN GOVERNMENT CRISIS

The impending reorganization of the Moroccan Government is an outgrowth of strife both within the dominant Istiqlal party and between the palace entourage and Istiqlal factions desiring to limit the theoretically absolute power of the King. The struggle began at the inception of Moroccan independence when the French allowed King Mohamed V to return from exile in November 1955; its present phase dates from May 1958 when the moderate and pre-

dominantly Istiqlal government of Balafrej was formed. The outcome is still uncertain, although Vice Premier Abderrahim Bouabid, dynamic leader of the Istiqlal left wing, seems the most likely successor should Balafrej be relieved as premier.

Composed of persons of varying political views, Istiqlal wants to establish a one-party political system. However, it excludes from membership persons who collaborated with

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

France during the protectorate, followers of rival nationalist parties, and all other persons unable to prove their participation in the fight for independence. Meanwhile, the King is encouraging the development of an opposition party.

Control of the Istiqlal structure, thus far in the hands of a nucleus of bourgeois intellectuals whose nationalist careers began when they studied in France in the 1920's and 1930's, now is challenged by a "Young Turk" or left-wing faction maneuvering to gain control of the party and government. As a countermove, the moderates have postponed the Istiqlal congress, originally scheduled for 20 September.

Outstanding among the "Young Turks" are Bouabid, Mehdi ben Barka--president of the Moroccan Consultative Assembly--and Mahjoub ben Seddik--secretary general of the Istiqlal allied Moroccan Union of Labor--who together have a wide following among students, youth, and labor. Bouabid, Ben Barka, and Ben Seddik are reported to have presented an ultimatum to Bala-

frej and the King to establish the long-promised constitutional monarchy, remove security forces from the King's control and place them directly under the Ministry of the Interior, subordinate the Royal Army's chief of staff--Crown Prince Moulay Hassan--to the Ministry of Defense, and curtail financial and commercial privileges of royal favorites.

The royal prerogatives challenged, the King has instructed Moulay Hassan to retrieve royal prestige, and the palace entourage is trying to rally popular support behind the King. Meanwhile, Istiqlal moderates, having wrested the party's French-language weekly from Ben Barka's control, are exploring new ways to stifle the extremists. In their struggle for survival, the King and Balafrej have largely adopted the neutralist policies of the extremists by pushing for territorial expansion, demanding the evacuation of all foreign troops--including American forces--exchanging diplomatic representatives with the USSR, recognizing Communist China, and joining the Arab League.

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CONFLICTS WITHIN TURKEY'S GOVERNING PARTY

Recently resigned cabinet ministers may exploit popular dissatisfaction with the Turkish Government's economic policies and its restrictions on opposition activity in order to challenge Prime Minister Menderes' domination of the Democratic party, which has governed Turkey for eight years.

Sitki Yircali, former minister of press, publications, and tourism, and other ministers who recently have resigned or

been downgraded over economic differences with the prime minister may attempt to rally anti-Menderes Democratic deputies in order to force the resignations of three ministers, who at present are close advisers to Menderes, or even to unseat Menderes himself. When the Grand National Assembly reconvenes on 1 November, they may use popular resentment of repressive measures against the press and opposition, as well as long-standing popular dissatisfaction over inflation

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

and shortages of consumer goods, in a bid for power.

The government's position was momentarily bolstered by the announcement in late July that the United States, the OEEC, and the IMF would grant \$359,000,000 in credits and aid. However, delays in putting the economic stabilization program into effect and the necessity for taking unpopular measures, such as tightening credit, as part of the stabilization program make Menderes vulnerable.

The influence of Minister of Coordination Sebati Ataman has been increased by recent political changes. A newcomer to

the political scene, Ataman has joined Foreign Minister Fatin Zorlu and Interior Minister Namik Gedik as a principal adviser to Prime Minister Menderes. These three can be counted on to support Menderes' approach to the economic stabilization program. Reportedly they are also urging Menderes to take stern measures against the opposition Republican People's party (RPP), which has been increasingly critical of the Democrats in recent months. While Menderes appears to be undecided about imposing further drastic restrictions on the opposition, his threats against the RPP have become more intensive.

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PROGRESS OF INDO-PAKISTANI TALKS ON CANAL WATERS

India and Pakistan appear to be gradually coming closer to an agreement on the division of the waters of the Indus River basin. Representatives of the two countries met recently in London under the auspices of the International Bank for Reconstruction and Development (IBRD) to discuss a Pakistani plan for division of the waters. This plan would substantially reduce the cost to India of constructing new canals from the three western rivers--Indus, Jhelum, and Chenab--to supply the irrigated areas in Pakistan which will suffer when India uses the water from the three eastern rivers--Ravi, Beas, and Sutlej. India has agreed in principle to bear the major part of the cost of any plan to which it agrees, and to hold further talks on it in mid-October.

If the Pakistani plan fails to win Indian approval, the IBRD

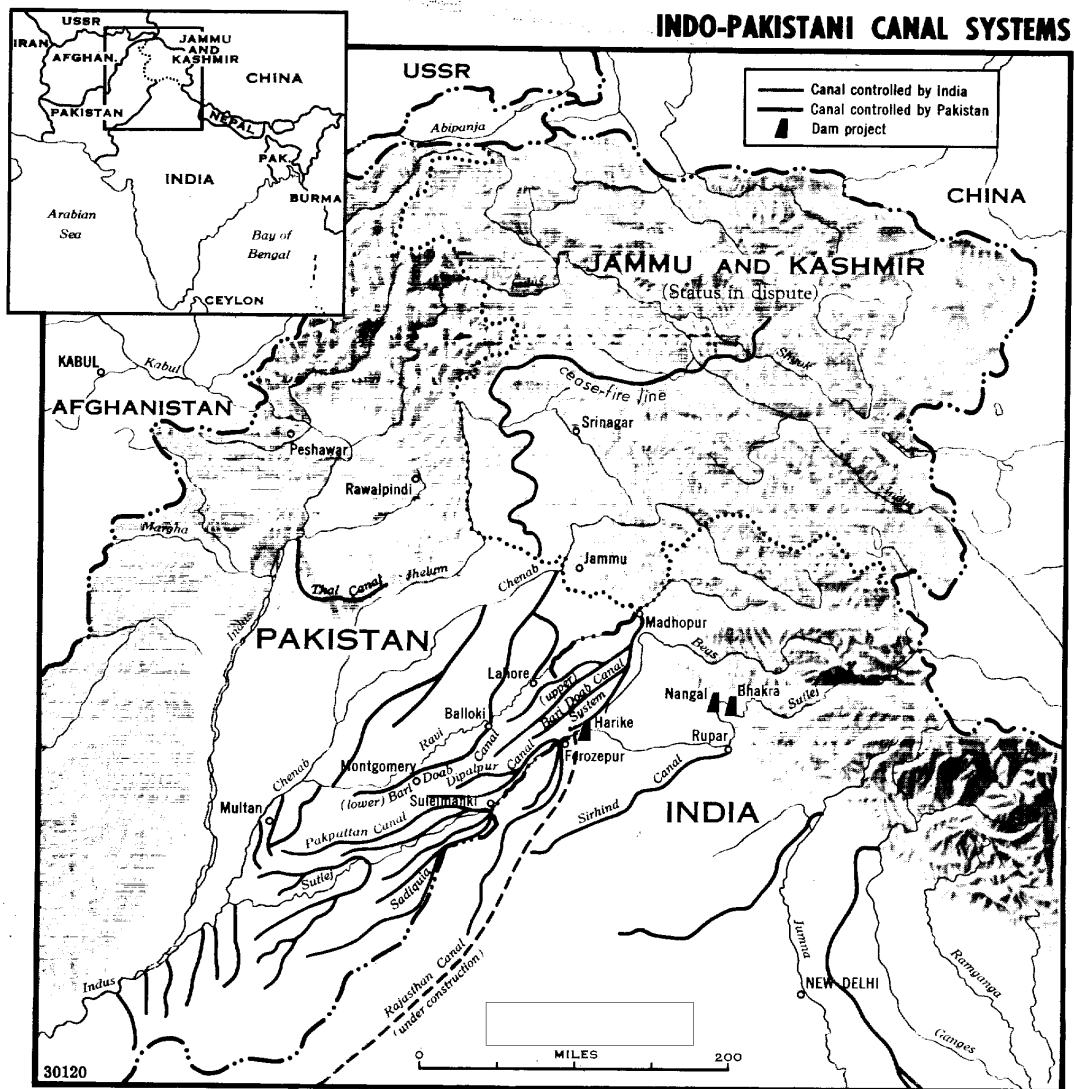
intends to put forward a plan of its own, probably drawing on parts of the Pakistani plan but reducing the cost still further by providing that India agree to supply Pakistan with a certain amount of water in perpetuity. G. Mueenuddin, chief of the Pakistani delegation at the recent talks, believes the Pakistani Government is now willing to accept such a plan. This is the first indication Pakistan would accept any scheme which did not completely eliminate its dependence on India.

Pakistani leaders apparently have begun to realize that their bargaining position is not strong enough to allow them to maintain an uncompromising position, particularly in view of India's repeated statements that it will begin large-scale utilization of the waters from the eastern rivers for its Rajasthan Canal in 1962. At

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958



25X1

the same time, Indian leaders are not anxious to cut off water supplies to Pakistan unilaterally, because they fear such action would enable Pakistan to convince the world that its

charges of Indian intransigence were valid. Even if both sides adopt more flexible positions, however, prolonged bargaining over terms and costs is likely before agreement can be reached.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

PART III

PATTERNS AND PERSPECTIVES

FRANCE'S PROPOSED CONSTITUTION

In the draft constitution on which French citizens will vote in the 28 September referendum, the executive gains clear ascendancy over the legislature, while judicial review of legislation is introduced by the creation of a Constitutional Council. The president will be more powerful than the chief of state of any European democracy, and many French jurists and political scientists fear the only bulwark against manipulation of the new system by irresponsible elements will be De Gaulle himself as presumptive first president. These critics, however, are resigned to the constitution as an emergency measure and hope by subsequent amendments to restore some of parliament's powers.

Strengthened Executive

De Gaulle conceives of the president of the republic as a supreme arbiter, empowered to break deadlocks between premier and parliament by consulting the people directly in referendums. The new constitution permits the president to dominate the executive branch through his exclusive power to appoint the premier and to influence the selection of the cabinet. Although the premier is formally responsible to the National Assembly, he is much less vulnerable to overthrow, since the traditional vote of confidence is superseded by a much more cumbersome vote of censure.

Separation of the executive from the legislative branch is further emphasized by De Gaulle's adamant insistence that no deputy or senator who enters

the cabinet may retain his parliamentary seat. This has been strongly criticized on the grounds that the necessary rapport between ministers and parliament will be lacking if the ministers are primarily administrators rather than politically influential members of the legislature. The executive-legislative split may be further widened by the proposal to elect the president of the republic through an expanded electoral college in which municipal councilors from rural areas who are unrepresentative of the liberal political tendencies of urban France would have a preponderant voice.



DE GAULLE

The major focus of criticism of the president's powers, however, is Article 14, which permits him in times of emergency to assume full legislative and executive authority. De Gaulle justifies this by citing the situation in 1940 when the French parliamentary system broke down and no one felt empowered to assume supreme authority in the name of the republic.

Circumscribed Legislature

The upper house, redesignated the Senate, is restored to something approaching legislative equality with the National Assembly. The legislature's powers are severely circumscribed, however, by restrictions which limit its competence to specified areas and by provision for government by executive decree. The historic basis of legislative power--the "power of the purse"--is virtually nullified through the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

premier's ability to decree adoption of the budget if parliament has not completed consideration within two months. The legislature's hitherto exclusive prerogative to amend legislation is also limited.

Constitutional Council

The principal creation of the draft constitution is the Constitutional Council, an organ with wide powers including judicial review of legislation, heretofore almost unknown in France. The council is not a supreme court in the American sense, in that it does not deal with litigation. Legislation having to do with basic organization and procedures is automatically reviewed by the coun-

cil before it can be promulgated, and the council may also be asked to pass on the constitutionality of any other parliamentary acts. A further curtailment of the powers of the assembly exists in the council's right to rule on the validity of parliamentary elections. It also supervises referendums and the election of the executive, and there is no appeal from its decisions.

The council serves as a partial check on the executive in that the president of the republic is required to consult the council when he assumes full powers in times of emergency. The council has no control, however, over the wide area of government ordinances or decrees

MAJOR INNOVATIONS IN PROPOSED FRENCH CONSTITUTION*(Fourth Republic Provisions in Parentheses)*

	SELECTION	POWERS
PRESIDENT OF THE REPUBLIC	Elected for seven-year term by electoral college enlarged to include municipal council representatives and other officials; no bar to re-election. (Electoral college consisted of Parliament; limited to two seven-year terms)	Can assume full executive and legislative powers in grave emergencies; appoints and can dismiss premier; can dissolve Parliament; can submit certain bills to referendum; negotiates treaties. (Appointed premier on advice of parties; kept informed of treaty negotiations)
PREMIER AND CABINET	Premier appointed by President, cabinet appointed by President on recommendation of premier, cannot retain parliamentary seats. (Had to seek investiture by National Assembly, members could retain seats)	Wide regulatory decree authority in areas not reserved to legislature, may ask Parliament for decree power in all fields for limited period, can be overthrown only by vote of censure initiated by 10 percent of National Assembly. (Could be overthrown by vote of confidence)
PARLIAMENT: NATIONAL ASSEMBLY AND SENATE (National Assembly and Council of the Republic)	To be determined (National Assembly—elected for five years on departmental lists of national parties; Council of the Republic—one half elected every three years for six-year term indirectly by National Assembly deputies and departmental and municipal councils)	Areas for legislative action specifically enumerated: meets twice annually for limited periods; majority of members can call special session; budget can be adopted by government decree if Parliament cannot approve it within two months; inter-chamber committee may be called to reach agreement on bill disputed by both chambers. (Area for legislative action was virtually unlimited, one third of Parliament could call special session, bills in dispute shuttled between chambers)
HIGH COURT OF JUSTICE	Elected by National Assembly and Senate (Elected by National Assembly alone)	No change
CONSTITUTIONAL COUNCIL (New concept in French practice)	Three members appointed for nine-year term by President of Republic, three by National Assembly president, three by Senate president, plus, ex-officio, all former Presidents of the Republic.	Supervises referendums and elections of President of the Republic, passes on constitutionality of legislation, decides which matters of legislation are in legislative sphere and which in executive, validates election of deputies and senators. (Each chamber judged eligibility of its members)

18 SEPTEMBER 1958

80915 3

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

and purely executive or administrative actions.

A French Commonwealth?

The new constitution replaces the French "Union" by a "Community," composed of the French Republic, including its overseas departments and territories, and those overseas territories which later may choose to loosen their ties with the republic but retain an association with France. The president of the republic is ex officio president of the community, and, with the premier and ministers charged with affairs common to the community,



SOUSTELLE

joins with heads of government of member states to form an Executive Council. The community has a separate advisory Senate composed of delegates chosen by the president of the republic and legislators of member states, and also has a court of arbitration.

The draft provides for changes in the status of member states and recognizes the ultimate right of independence, which also involves secession from the community. It contains no explicit reference to Algeria, however, and thus leaves De Gaulle a free hand in determining his future policy on this problem.

Rightist Influences

De Gaulle is reported to have personally supervised the drafting of the constitution and to have had the final say on all details, but the views of his ultranationalist minister of justice, Senator Michel Debre, are believed to have carried considerable weight. Debre envisages the future French political structure as a "pyramid"-- De Gaulle at the apex, political institutions at one side of the base and the French Army at the other. Debre was a member of Information Minister Soustelle's Union for the Salvation and Renovation of Algeria and



DEBRE

reportedly shaped the new constitution with a view to De Gaulle's becoming first president of the republic and Soustelle first premier.

The government processed the draft in highhanded fashion, despite a show of "consultation" with a commission including parliamentary representatives. None of the commission's recommendations for major substantive changes was accepted. Debre made it clear that the commission was purely consultative, and publicly questioned the good faith and intelligence of constitutional experts who criticized the initial draft as "not in the parliamentary tradition."

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

The only major substantive changes between first and final drafts were those De Gaulle worked out himself on the French Community as a result of his African tour.

Implications for Political Life

There is considerable speculation over the parliamentary electoral system the government is expected to announce before the constitutional referendum. The more highly centralized parties--usually those on the left or left-center--benefit from the existing system of modified proportional representation, whereas the traditional right-center and rightist groupings tend to favor a single-member constituency, which De Gaulle is believed to prefer. Members of his entourage are already boasting that they expect to whittle the present 150 Communist deputies in the National Assembly down to 30. Some elements in the government reportedly favor a system of national lists in each electoral district, perhaps with three or four seats per district, and a runoff election if no list obtains a majority on the first round.

The apprehensions of some of the traditional political parties over their future, stemming from the rightist and military criticism of "the system" prior to De Gaulle's investiture, have been partially allayed by the inclusion in the constitution of specific recognition of their legitimate role as long as they "respect the principles of national sovereignty and democracy." While this admittedly provides a weapon primarily for the government's later use against the French Communist party, some "republican" elements fear it may be turned against them.

Despite their private misgivings, which are enhanced by Soustelle's propaganda attacks on all opponents of the draft

as "Communists and their friends," many critics of the constitution have resigned themselves to a new system of government with the hope that its objectionable features may be subject to modification later. They foresee political chaos if the constitution is rejected, and they have been reassured by De Gaulle's personal conduct in his new capacity. They anticipate his election to the presidency and believe he alone has the requisite authority to attack the Algerian and other pressing French problems and to control Soustelle, the army, and other potentially authoritarian elements.

Maurice Duverger observed recently in *Le Monde* that De Gaulle could be expected to make the constitution work as intended during its critical early stages when the danger of its manipulation by extremists is greatest. He and others look forward then to an evolution--through amendments--toward a "more truly parliamentary" system.

Provisions for constitutional revision are, on paper, substantially the same as in the 1946 constitution. While the initiative for changes may now be taken by the president of the republic as well as by parliament, the legislature may still amend without recourse to a referendum if the change is approved by a three-fifths' majority of the two houses sitting in joint session. As in the previous constitution, the republican form of government is not subject to revision.

Under the Fourth Republic, any attempt at amendment implied an effort to weaken the assembly's dominant position. In view of the secondary role now assigned to the parliament, however, this situation is approximately reversed. The assembly will probably see in the process of amendment a way to regain some of its power.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

25X6

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KURDISH NATIONALISM IN MIDDLE EAST

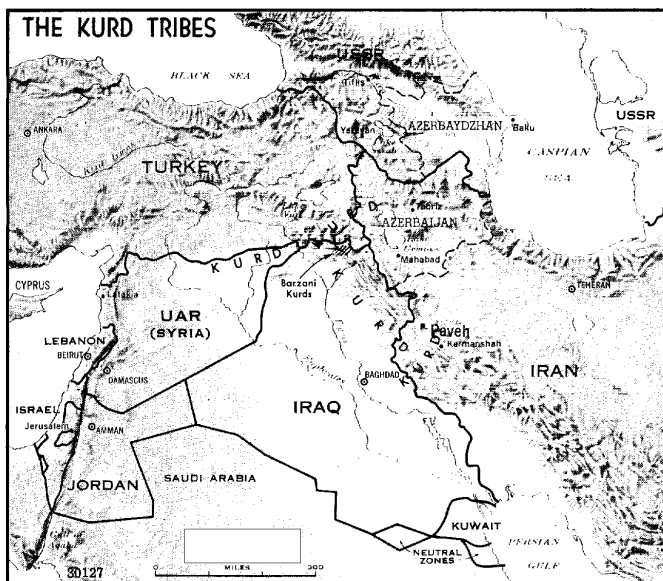
Iraq's New Attitude

The over 3,000,000 Kurds in the Middle East located in contiguous areas of Iran, Turkey, Iraq, and Syria have recently found a new champion in the republic of Iraq. By making conciliatory gestures toward the Kurds, the new Iraqi regime

hopes to gain the support of the 800,000 Kurds living in Iraq. In doing so, however, Iraq has inadvertently encouraged the Kurds' long-standing hopes for an independent Kurdistan, and its efforts may misfire.

In a major concession on 3 September, Prime Minister

Qasim invited Kurdish leader Mulla Mustafa Barzani to return home from the USSR, where he fled with some followers in 1946. He is expected to arrive in Iraq on 22 September. Iran, Turkey, and the former Iraqi monarchy had long feared the return of Barzani, who engaged in armed uprisings against the Iraqi Government from 1943 to 1945 and helped organize a short-lived, Soviet-sponsored Kurdish republic in Iran in 1945-46. The Iraqi Government is also granting amnesties and housing aid



25X1

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

to members of the Barzani Kurds.

Iraq's invitation to Barzani has not been well received by the Iranian officials, particularly as the Iraqi radio has been exhorting Iranian Kurds to overthrow the Shah. The Iranian Kurds are reported planning disturbances with Iraqi support as soon as the fall harvesting is completed.

The timing of the planned disturbances suggests that preparations are being made for a long struggle. The Kurds are effective guerrilla fighters in mountainous areas and have sometimes defeated better equipped government forces because of their superior knowledge of the terrain. Barring extensive outside assistance or a serious deterioration of internal security, however, any disturbances are likely to accomplish little and would invite severe government countermeasures. The political forces in Iran are nevertheless in such delicate balance that a sizable revolt of Iran's 500,000 Kurds, by keeping many of Iran's security forces occupied, might give civilian and military plotters in Tehran the opportunity to overthrow the Shah.

UAR's Provocations

Iraq's gestures to the Kurds may also be an attempt to reduce any impressions the Kurds may have received that the UAR is the only genuine supporter of Kurdish nationalism among the Arab states. Prior to the Iraqi coup, UAR agents were reportedly active among Iraqi Kurds. Kurdish nationalists at first did not welcome the creation of the UAR, since it meant that the Kurdish minority at 250,000 in Syria would become a smaller minority in the larger state. Subsequently, however, some Kurds began to recognize that Nasir, whatever his motives, has been supporting Kurdish nationalism.

Shortly after Nasir's visit to the USSR last spring, the UAR began Kurdish-language broadcasts in the Mukri Kurdi dialect, which is understood principally by the Kurds in Iraq and Iran. The broadcasts were at first claimed by the UAR to be designed to strengthen relations between the "Kurdish nation" and the UAR, and included newscasts, political interpretation, and Kurdish national songs. Recently, however, their purpose was redefined as to "cement



BARZANI

friendship among all Moslems in the Middle East regardless of race or creed." The newscasts have been almost verbatim translations from Cairo's Voice of the Arabs and stress that the Kurds want independence.

The Kurds in Syria are also reported trying to establish the nucleus of a Kurdish national state--a move which could bring Iraq and the UAR into competition for control of a Kurdish national movement.

Countermeasures

Several factors may still hold Kurdish ambitions in check. Many Kurds continue to be disillusioned with past outside exploitation of their cause, and since their primary loyalty is

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****18 September 1958**

to the local tribe, they suffer from lack of unity. Furthermore, some have become prosperous and are thus reluctant to endanger their economic status in risky adventures.

Iran is counterattacking against the Iraqi-UAR provocations by using propaganda and agents to convince Kurds in Iran that they are an Aryan people having nothing in common with the Arabs, who are using them to advance Arab imperialism. Attempts are being made by the Iranian Government to infiltrate Kurdish tribes to obtain information, and to exploit tribal differences. Kurdish leaders may soon be invited to Tehran, and efforts are being made to eliminate unjust treatment by Iranian officials and improve education and health in Kurdish areas.

Iranian border forces have been trying, however, to prevent Kurdish tribes from migrating back and forth across the Iran-Iraq border in their search for better pasture lands. This policy probably has further antagonized the Kurds.

Officially Tehran claims that Arab provocations are having no effect on Iranian Kurds, but the security forces continue to show considerable concern. To demonstrate that Kurds have not been discriminated against, the Shah keeps pointing out that Kurds have reached high positions in the Iranian Government; for example, Iranian Ambassador to the United States Alighol Ardalan. The government's sudden announcement that certain oil revenues will be earmarked for road development in the province of Kurdistan is

an indication of government uneasiness concerning the tribes in that area.

Tribal restlessness near the town of Paveh in the mountains of western Iran north of Kermanshah was reported increasing in June. A number of armed tribesmen, rumored to be operating from a base in Iraq, are said to have attacked Paveh on 21 June, and the Iranian Army sent reinforcements to the area. The disturbance was in the territory where the Javanrudis, a warlike Kurdish tribe, live. It was against this tribe that Iranian Government forces waged a successful campaign in early 1956. The Javanrudis were suspected of having contact with the Barzani Kurds in northeastern Iraq.

Turkey has officially maintained in the past that its 1,500,000 Kurds have been assimilated and are no problem, but lately Turkish Interior Minister Namik Gedik has admitted that agitation by UAR Embassy personnel in Ankara has been causing trouble. During the London meeting of the Baghdad Pact Ministerial Council in late July, Turkey and Iran discussed joint measures to counter the effects of the incitement of their Kurdish minorities. Both claim that, since the Iraqi revolution, the territory occupied by Kurds in northwestern Iran has become the principal remaining barrier to Moscow's realization of its historic desire for direct access to a warm-water port in this area. They seem to fear that Iraq and the UAR, which have apparently replaced the USSR as the main sources of propaganda directed at the Kurds, may prove more capable than the USSR of influencing them.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

SOVIET TRADE WITH THE FREE WORLD

The USSR's trade with the free world rose 120 percent during the past five years, reflecting a conscious effort to increase Soviet influence in international economic relations. Total Soviet foreign trade during this period increased by less than 50 percent. Trade with industrial countries continues to account for the major share of the USSR's trade with the free world. Over 80 percent of Soviet exports outside the bloc are destined for industrial countries. Moscow's economic offensive in underdeveloped areas, however, has reduced the industrial free

increase in trade with the free world is planned. A larger variety of manufactured goods and increasing quantities of raw materials are already being offered and sold to Western consumers, and imports of machinery and manufactured goods are increasing.

First Deputy Premier Anastas Mikoyan reaffirmed in early 1958 the Soviet policy of expanding trade with the industrial West. He attacked Soviet theorists who maintain there can be no meaningful ties between the "socialist and capitalist" markets, and pointed out that such trade could be advantageous to the USSR. Other Soviet officials have proposed that an international economic conference be held to establish a world-wide organization for international trade cooperation.

The long-range nature of the USSR's program to increase its international economic stature is evident also in its programs in underdeveloped countries, where it is committed to aid economic development over a period of years. Reports also indicate that Moscow now is concerned with international financial problems arising from the inconvertibility of the ruble and the price of gold.

This year, for the first time, Western businessmen have been encouraged to contact officials of the Soviet regional economic councils (sovnarkhozy) and in some cases individual Soviet enterprises concerning prospective contract terms, although the state trade corporations still make final decisions and actually conclude contracts for all imports.

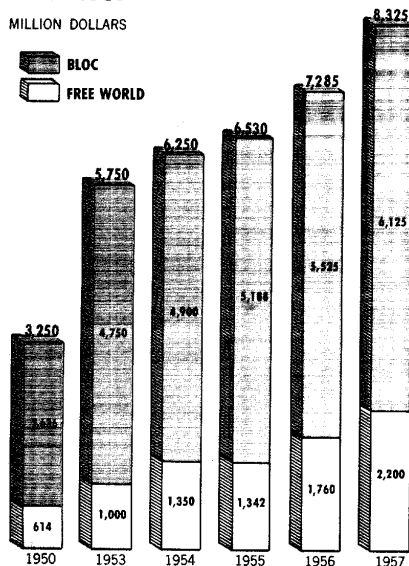
Trade With Industrial West

Despite the publicity given the USSR's trade relations in Asia and Africa, 40 percent of

**SOVIET FOREIGN TRADE
1950-1957**

MILLION DOLLARS

■ BLOC
□ FREE WORLD



18 SEPTEMBER 1958

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world's share of Soviet imports from 80 percent in 1953 to 68 percent last year.

The USSR's programs for strengthening its ties with underdeveloped countries through increased economic relations and for expanding its chemical industry suggest that a further

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

Soviet trade with the free world is accounted for by the UK, Finland, and West Germany. These and other industrialized countries in the West probably will continue to be the USSR's major source of imports and chief markets outside the bloc. Recently concluded trade agreements with West Germany and France call for vastly expanded trade in the next few years; while specific goals may not be reached, the targets set are not unreasonable.

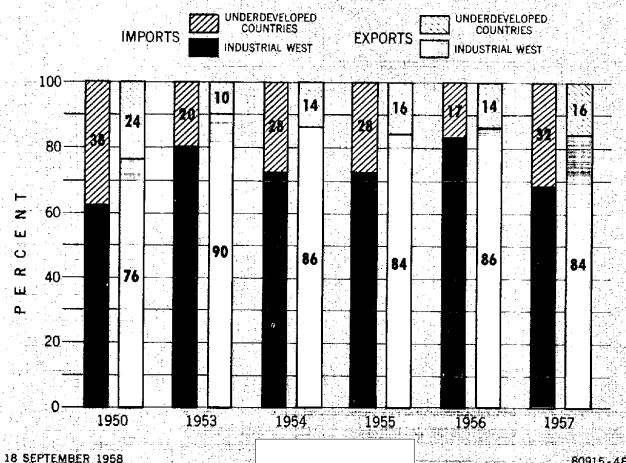
Soviet exports to Western industrial countries are largely raw materials, semi-manufactured goods, and fuels. Soviet exports of POL to Western Europe have grown from 500,000 tons in 1953 to more than 4,000,000 tons last year. Lumber and cotton have shown similar trends in this period, and more recently the USSR has initiated new exports or stepped up deliveries of raw materials such as aluminum, tin, asbestos, and flax. Moscow's eagerness to procure foreign exchange has led it to continue selling such commodities despite falling prices. In so doing, the USSR is competing directly with the free-world producers of these goods and presumably is also interested in the political gains it obtains by discrediting Western economic systems--such as the International Tin Council--engaged in maintaining world markets and prices for these commodities.

The most important categories of imports from the West are machinery, equipment, and manufactured goods. Ships constitute a large part of such imports, although textile equipment, electrical machinery, power-generating equipment, trans-

portation equipment, and metal-working machinery are also important. Purchases in any category fluctuate widely according to the varying annual needs of Soviet economic planning. Many equipment purchases, apparently made primarily to secure models for reproduction, are never repeated.

Moscow's interest in Western plants and its serious nego-

SOVIET TRADE WITH THE FREE WORLD



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tations this year to purchase Western equipment suggest that industrialized countries will continue to account for a major share of Soviet free-world trade. Both Khrushchev and Mikoyan have stated that the USSR is willing to tap Western production and know-how to further its output of chemicals. France specifically has been invited to send technicians, and Khrushchev in July cited the Soviet need for Western engineers, scientists, and specialists as well as machinery and equipment.

In the past year the USSR has signed contracts in the West for well over \$60,000,000 worth of complete industrial plants, including synthetic-fiber mills, cement factories, and a tire plant. Negotiations

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 September 1958

with American firms this year suggest probable purchases of at least another \$25,000,000 worth of synthetic-fiber machinery and mining equipment. Mikoyan reports that under its three-year trade agreement with France concluded last year, the USSR is to buy \$75,000,000 worth of machinery.

The Soviet multi-billion-dollar trade program referred to in the 2 June Khrushchev trade letter to President Eisenhower can be envisioned only in terms of major Western credits, which are unlikely. Soviet foreign trade representatives maintain, however, that they are prepared to buy substantial quantities of equipment for cash. Since Soviet foreign exchange reserves are maintained at a level sufficient only for current trade, such purchases would require the USSR to in-

to sell their latest equipment to the USSR because of the Soviet practice of copying Western plants. Virtually no free-world firm is willing to provide information on new production processes in view of Moscow's refusal to observe conventional copyright procedures.

Trade With Underdeveloped Areas

The share of the underdeveloped areas in Soviet free-world trade has remained for several years at about 25 percent, but Moscow's economic offensive in such areas has increased the value of its trade there from \$150,000,000 in 1950 to \$480,000,000 last year. The most significant growth has been in the Middle East. While Soviet imports from this area, largely cotton and other agricultural products, have grown more rapidly than exports--excluding arms deliveries--the implementation of economic aid programs worth about \$400,000,000 during the next few years should sustain a continued growth in Soviet exports.

Soviet trade plays an increasingly important role in bloc commerce with the underdeveloped nations. In 1957 trade in these areas by the Soviet Union alone rose 25 percent over the previous year, while total Sino-Soviet bloc trade with underdeveloped countries rose by only 10 percent. Trade statistics substantiate regular growth in Soviet trade with the underdeveloped countries, but as a result of the USSR's inclination to support its political aims through economic relations, trade frequently varies widely from year to year with any particular country as the USSR exploits momentary political situations and crop surpluses.

COMPOSITION OF SOVIET TRADE WITH THE FREE WORLD
(PERCENTAGES)

	1950	1953	1954	1955	1956	
FOODSTUFFS	46%	42%	21%	15%	18%	EXPORTS
	4	21	26	22	16	IMPORTS
RAW MATERIALS, FUELS, CHEMICALS	42	44	56	61	56	EXPORTS
	42	32	25	26	29	IMPORTS
MACHINERY AND TRANSP. EQUIP.	1	1	2	2	3	EXPORTS
	41	25	25	31	28	IMPORTS
OTHER MANUFACTURED GOODS	11	13	21	22	23	EXPORTS
	13	22	24	21	27	IMPORTS

80915 4

crease exports to earn large amounts of hard currencies. Failing this, it would be forced to sell gold; while Soviet officials have indicated a willingness to do so, Mikoyan has said that large sales are not likely until "normalization" of the gold price, which has not changed since 1934.

The USSR has found many Western firms, particularly American companies, reluctant

18 SEPTEMBER 1958

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 September 1958

Moscow's large but nonre-current purchase of rice from Burma in 1954, unusual imports of cocoa from Ghana in 1957, and sugar purchases from Cuba are examples. These purchases were made during a period of large export surpluses when prices were depressed. In the case of the cocoa purchase, the USSR may have taken advantage of the depressed market to build a reserve. Soviet purchases from Ghana thus far this year have remained below the pre-1957 normal.

The unreliability of firm and continuing trade actually is a deterrent to a long-run growth of trade. The underdeveloped countries whose foreign exchange income often is largely derived from trade in one or two commodities are often unwilling to jeopardize their traditional markets in the West for sales to the USSR that apparently have no economic rationale for Moscow. The Soviet penchant for barter or balanced trade under clearing agreements, while frequently welcomed by underdeveloped countries with stringent foreign exchange problems, also works against the maximum long-term development of trade which is most likely under a multilateral trade system.

Barter trade, in fact, may discourage the growth of significant economic relations with underdeveloped countries which discover that, in order to balance trade, less desirable Soviet goods may have to be accepted. Uruguay, suffering from a hard-currency shortage, recently contracted to purchase Soviet oil to balance its trade with the USSR, although more

suitable nonbloc oil was available at a lower price.

World Financial Relations

Although the USSR has rapidly increased its free-world trade in recent years, its efforts have been hindered by the bilateral pattern of Soviet operations and the inconvertibility of the ruble. Soviet trade can continue to grow, but the USSR either must engage in a multilateral system or accept the relatively inferior commercial status of a nation whose trade is limited by the willingness of other countries to barter for its goods.

At the present time Soviet trade is conducted in the currencies of its trading partners in the free world, and imbalances are settled in convertible currencies such as British sterling and US dollars. Soviet foreign trade prices in free-world trade are quoted in free-world currencies. All Soviet foreign trade prices are based, wherever possible, on world market prices.

Policies that would establish general convertibility of the ruble or that would put trade on a general multilateral basis would probably be unacceptable to the Soviet regime. Because drastic revisions would be required that would affect the basic foundations of the Communist economic system, it is unlikely that the USSR in the near future will move far in the direction of general multilateral trade or that it will make the ruble freely convertible. (Prepared by ORR)

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